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**BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES**

Application Number: 09/922,297
Filing Date: August 03, 2001
Appellant(s): POTTER ET AL.

KEVIN M. PUMM
For Appellant

**SUPPLEMENTAL
EXAMINER'S ANSWER**

This is in response to the appeal brief filed 07/16/07 appealing from the Office action mailed 2/13/07.

(1) Real Party in Interest

A statement identifying the real party in interest is contained in the brief.

(2) Related Appeals and Interferences

The examiner is not aware of any related appeals, interferences, or judicial proceedings which will directly affect or be directly affected by or have a bearing on the Board's decision in the pending appeal.

(3) Status of Claims

The statement of the status of claims contained in the brief is correct.

(4) Status of Amendments After Final

The appellant's statement of the status of amendments after final rejection contained in the brief is correct.

(5) Summary of Claimed Subject Matter

The summary of claimed subject matter contained in the brief is correct.

(6) Grounds of Rejection to be Reviewed on Appeal

The appellant's statement of the grounds of rejection to be reviewed on appeal is

correct.

NEW GROUNDS OR REJECTION

35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

Claims 1-46 are rejected under 35 U.S.C. §101 because the claimed invention is directed to non-statutory subject matter.

Based on Supreme Court precedent¹[1] and recent Federal Circuit decisions, § 101 process must (1) be tied to another statutory class (such as a particular apparatus) or (2) transform underlying subject matter (such as an article or materials) to a different state or thing.² [2]. *In re Bilski*, 88 USPQ2d 1385 (Fed. Cir. 2008); *Diamond v. Diehr*, 450 U.S. 175, 184 (1981), *Parker v. Flook*, 437 U.S. 584, 588 n.9 (1978); *Gottschalk v. Benson*, 409 U.S. 63, 70 (1972); *Cochrane v. Deere*, 94 U.S. 780, 787-88 (1876).

An example of a method claim that would not qualify as a statutory process would be a claim that recited purely mental steps. Thus, to qualify as a 101 statutory process, the claim should positively recite the other statutory class (the thing or product) to which it is tied, for example by identifying the apparatus that accomplishes the method steps, or positively recite the subject matter that is being transformed, for example by identifying the material that is being changed to a different state.

¹[1] *Diamond v. Diehr*, 450 U.S. 175, 184 (1981); *Parker v. Flook*, 437 U.S. 584, 588 n.9 (1978); *Gottschalk v. Benson*, 409 U.S. 63, 70 (1972); *Cochrane v. Deere*, 94 U.S. 780, 787-88 (1876).

²[2] The Supreme Court recognized that this test is not necessarily fixed or permanent and may evolve with technological advances. *Gottschalk v. Benson*, 409 U.S. 63, 71 (1972).

Here, Applicant's method steps fail the first prong of the new Federal Circuit decision since they are not tied to a machine and be performed without the use of a particular machine. Thus, claims 1-46 are non-statutory since they may be performed within the human mind.

(7) Claims Appendix

The copy of the appealed claims contained in the Appendix to the brief is correct.

(8) Evidence Relied Upon

5.365.425	TORMA	11-1994
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5845.254 LOCKWOOD ET AL. 12-1998

Yasin,Mahmoud M; Meacham, Katerine A; Alavi, Jafar; "The status of TQM in healthcare. *Health Marketing Quarterly*;" New York: 1998.

(9) Grounds of Rejection

The following ground(s) of rejection are applicable to the appealed claims:

Claims Rejections -35 U.S. C. 101

35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

Claims 1-46 are rejected under 35 U.S.C. §101 because the claimed invention is directed to non-statutory subject matter.

Claims 1-46 are rejected under U.S.C.101 because invention is directed to non-statutory subject matter. The claims do not provide any transformation nor do they have any other statutory class in the body of the claims. The claims recite a method comprising the steps of: providing, sharing, comparing and motivating.

Based on Supreme Court precedent³[1] and recent Federal Circuit decisions, § 101 process must (1) be tied to another statutory class (such as a particular apparatus) or (2) transform underlying subject matter (such as an article or materials) to a different state or thing.⁴ [2]. *In re Bilski*, 88 USPQ2d 1385 (Fed. Cir. 2008); *Diamond v. Diehr*, 450 U.S. 175, 184 (1981), *Parker v. Flook*, 437 U.S. 584, 588 n.9 (1978); *Gottschalk v. Benson*, 409 U.S. 63, 70 (1972); *Cochrane v. Deere*, 94 U.S. 780, 787-88 (1876)) or (2) transform underlying subject matter (such as an article or materials) to a different state or thing (see at least *Gottschalk v. Benson*, 409 U.S.63, 71 (1972)). Since neither of these requirements is met by the claim, the method is not considered a patent eligible process under 35 U.S.C.101. To qualify as a statutory process, the claim should positively recite the other statutory class to which it is tied, for example by identifying the apparatus that accomplished the method steps or positively reciting the subject matter that is being transformed, for example by identifying the material that is being changed to a different state.

³[1] *Diamond v. Diehr*, 450 U.S. 175, 184 (1981); *Parker v. Flook*, 437 U.S. 584, 588 n.9 (1978); *Gottschalk v. Benson*, 409 U.S. 63, 70 (1972); *Cochrane v. Deere*, 94 U.S. 780, 787-88 (1876).

⁴[2] The Supreme Court recognized that this test is not necessarily fixed or permanent and may evolve with technological advances. *Gottschalk v. Benson*, 409 U.S. 63, 71 (1972).

Claims 1-46 are rejected under 35 U.S.C. 103. This rejection is set forth in prior Office Action mailed on 07/16/07. This rejection is set forth below as it appears on 07/16/07.

Claims 1-46 are rejected under 35 U.S.C. 103(a) as being unpatentable over Torma et al in view of Lockwood et al (5,845,254) and further in view of (The status of TQM in healthcare, Health Marketing Quarterly; New York; 1998 by Yasin, Mahmoud M; Meacham, Katherine A; Alavi, Jafar.

As per claim 1, Torma discloses the method comprising sharing a portion of the cost savings resulting from the provider's reduction of actual average cost per service to a predetermined budgeted average cost per service episode (See Torma, Co1.9, lines 6-48).

Torma does not explicitly disclose that the method having a portion depending in part upon the provider's average cost per service episode compared to an average cost per service episode of providers to the members, and in part upon the provider's performance on at least one of a quality measure and a member satisfaction measure.

However, this feature is known in the art, as evidenced by Lockwood. In particular, Lockwood suggests that the method having a portion depending in part upon the provider's average cost per service episode compared to an average cost per service episode of providers to the members, and in part upon the provider's performance on at least one of a quality measure and a member satisfaction measure (See Lockwood, Co1.12, lines 67 to Co1.14, line 15; Co1.14, lines 1-17).

It would have been obvious to one of ordinary skill in the art at the time of the invention to have included the feature of Lockwood within the system of Torma with the motivation of providing a cost efficiency performance level which is determined for each individual health-care provider within the group of healthcare providers from the plurality of severity-adjusted sickness episode data records, and a qualitative performance level which determined for the group of healthcare providers as a whole (See Lockwood, Co1.5, lines 41-47).

Torma and Lockwood do not explicitly disclose a method of compensating a health service provider providing health services in service episodes to health plan members.

However, this feature is known in the art, as evidenced by Yasin. In particular, Yasin suggests a method of compensating a health service provider providing health services in service episodes to health plan members (See Yasin, Page 8, Paragraph 2).

It would have been obvious to one of ordinary skill in the art at the time of the invention to have included the feature of Yasin within the collective teachings of Torma and Lockwood with the motivation of encouraging contracting doctors to practice better and use less invasive, less expensive medical procedures by rewarding those who do with cash bonuses at the end of the year (See Yasin, Page 8, Paragraph 2).

As per claim 2, Lockwood discloses the method wherein the provider's actual average cost per service episode and the budgeted average cost per service episode

are indexed to the same level of episode severity before comparison (See Lockwood, Co1.10, lines 55-67 to Co1.11, line 30).

The motivation for combining the respective teachings of Torma, Lockwood and Yasin are as discussed in the rejection of claim 1 above, and incorporated herein.

As per claim 3, Lockwood discloses the method wherein the provider's actual average cost per service episode and the average cost per service episode of care of providers to the members of the health plan are indexed to the same level of episode severity before comparison (See Lockwood, Co1.11, lines 1-31).

The motivation for combining the respective teachings of Torma, Lockwood and Yasin are as discussed in the rejection of claim 1 above, and incorporated herein.

As per claim 4, Torma discloses the method wherein the portion of the cost savings shared with the provider depends upon whether the provider's average cost per service episode is above or below the median average cost per service episode of care of providers to the members of the health plan (See Torma, Co1.7, lines 43-68 to Co1.8, line 59).

As per claim 5, Torma discloses the method wherein the portion of the cost savings shared with the provider depends in part upon the provider's performance on a quality measure (See Torma, Co1.7, lines 43-68 to Co1.8, line 59).

As per claim 6, Lockwood discloses the method wherein the portion of the cost savings shared with the provider depends in part upon the provider's performance on a member satisfaction measure (See Lockwood, Co1.12, lines 67 to Co1.14, line 15; Co1.14, lines 1-17).

The motivation for combining the respective teachings of Torma, Lockwood and Yasin are as discussed in the rejection of claim 1 above, and incorporated herein.

As per claim 7, Lockwood discloses the method wherein the portion of the cost savings shared with the provider depends in part upon the provider's performance on a measure of quality measure and member satisfaction (See Lockwood, Co1.12, lines 67 to Co1.14, line 15; Co1.14, lines 1-17).

The motivation for combining the respective teachings of Torma, Lockwood and Yasin are as discussed in the rejection of claim 1 above, and incorporated herein.

As per claim 8, Torma discloses the method wherein the service provider is a group of individuals (See Torma, Co1.5, lines 20-68).

As per claim 9, Lockwood discloses the method wherein the service provider is a group of individuals in a particular medical specialty, and wherein the comparison between the provider's average cost per service episode and an average cost per service episode of care of providers providing service to the members of the health plan

is made with providers in the same medical specialty (See Lockwood, Col.54-67 to Col.8, lines 17).

The motivation for combining the respective teachings of Torma, Lockwood and Yasin are as discussed in the rejection of claim 1 above, and incorporated herein.

As per claim 10, Torma discloses the method comprising sharing a portion of the cost savings resulting from the reduction of the group's actual average cost per service episode compared to a predetermined budgeted average cost per service episode (See Torma, Col.9, lines 6-48).

Torma does not explicitly disclose that the portion depending in part upon the group's average cost per service episode compared to an average cost per service episode of groups providing service to the members, and in part upon the group's performance on at least one of a quality measure and a member satisfaction measure.

However, this feature is known in the art, as evidenced by Lockwood. In particular, Lockwood suggests that the portion depending in part upon the group's average cost per service episode compared to an average cost per service episode of groups providing service to the members, and in part upon the group's performance on at least one of a quality measure and a member satisfaction measure (See Lockwood, Co1.12, lines 67 to Co1.14, line 15; Co1.14, lines 1-17).

It would have been obvious to one of ordinary skill in the art at the time of the invention to have included the feature of Lockwood within the system of Torma with the motivation of providing a cost efficiency performance level which is determined for each

individual health-care provider within the group of healthcare providers from the plurality of severity-adjusted sickness episode data records, and a qualitative performance level which determined for the group of healthcare providers as a whole (See Lockwood, Co1.5, lines 41-47).

Torma and Lockwood do not explicitly disclose a method of compensating a health service provider providing health services in service episodes to health plan members.

However, this feature is known in the art, as evidenced by Yasin. In particular, Yasin suggests a method of compensating a health service provider providing health services in service episodes to health plan members (See Yasin, Page 8, Paragraph 2).

It would have been obvious to one of ordinary skill in the art at the time of the invention to have included the feature of Yasin within the collective teachings of Torma and Lockwood with the motivation of encouraging contracting doctors to practice better and use less invasive, less expensive medical procedures by rewarding those who do with cash bonuses at the end of the year (See Yasin, Page 8, Paragraph 2).

As per claim 18, Torma discloses the method comprising: developing a budgeted cost per episode of patient for a program period for at least one physician group based at least in part on the historic actual performance of the group (See Torma, Co1.12, lines 42-68); compiling data on actual cost per episode of patient care during the program period (See Torma, Co1.8, lines 6-67); comparing the group's actual cost per episode of patient care during the program period with the group's budgeted cost per

episode of patient care for the program period, adjusted for changes in the severity of illness of the patients treated (See Torma, Co1.8, lines 6-68).

Torma does not explicitly disclose that the method having sharing a portion of the savings resulting from a reduction in actual cost per episode of patient care with the group, the portion depending upon the group's performance on a quality and/or patient satisfaction indicator.

However, this feature is known in the art, as evidenced by Lockwood. In particular, Lockwood suggests that the method having sharing a portion of the savings resulting from a reduction in actual cost per episode of patient care with the group, the portion depending upon the group's performance on a quality and/or patient satisfaction indicator (See Lockwood, Co1.12, lines 54- 67 to Co1.14, line 15; Co1.14, lines 1-17).

It would have been obvious to one of ordinary skill in the art at the time of the invention to have included the feature of Lockwood within the system of Torma with the motivation of providing a cost efficiency performance level which is determined for each individual health-care provider within the group of healthcare providers from the plurality of severity-adjusted sickness episode data records, and a qualitative performance level which determined for the group of healthcare providers as a whole (See Lockwood, Co1.5, lines 41-47).

Torma and Lockwood do not explicitly disclose a method of compensating a health service provider providing health services in service episodes to health plan members of a health plan served by a plurality of physician groups.

However, this feature is known in the art, as evidenced by Yasin. In particular, Yasin suggests a method of compensating a health service provider providing health services in service episodes to health plan members of a health plan served by a plurality of physician groups (See Yasin, Page 8, Paragraph 2).

It would have been obvious to one of ordinary skill in the art at the time of the invention to have included the feature of Yasin within the collective teachings of Torma and Lockwood with the motivation of encouraging contracting doctors to practice better and use less invasive, less expensive medical procedures by rewarding those who do with cash bonuses at the end of the year (See Yasin, Page 8, Paragraph 2).

As per claim 19, Lockwood discloses the method wherein the sharing of a portion of the savings is also dependent on the group's performance relative to other physicians (See Lockwood, Col. 15, lines 30-67).

The motivation for combining the respective teachings of Torma, Lockwood and Yasin are as discussed in the rejection of claims 1, 10 and 18 above, and incorporated herein.

As per claim 20, Lockwood discloses the method wherein the sharing of a portion of the savings of a group is dependant on a comparison of a measure of the group's cost per episode of patient care with a measure of other physicians' cost per episode of patient care (See Lockwood, Co1.15, lines 1-56).

The motivation for combining the respective teachings of Torma, Lockwood and Yasin are as discussed in the rejection of claims 1, 10 and 18 above, and incorporated herein.

As per claim 21, Lockwood discloses the method wherein the measure of the group's cost per episode of patient care and the measure of other physicians' cost per episode of patient care is indexed to the same level of episode severity before comparison (See Lockwood, Col.5, lines 28-47).

The motivation for combining the respective teachings of Torma, Lockwood and Yasin are as discussed in the rejection of claims 1, 10 and 18 above, and incorporated herein.

As per claim 22, Lockwood discloses the method wherein the portion of savings shared with the group depends upon the group's performance on a quality indicator relative to other physicians' performance on the quality indicator (See Lockwood, Col.4, lines 14-40).

The motivation for combining the respective teachings of Torma, Lockwood and Yasin are as discussed in the rejection of claims 1, 10 and 18 above, and incorporated herein.

As per claim 23, Lockwood discloses the method wherein the quality indicator includes a measurement of the number of patients with a particular diagnosis receiving a particular treatment (See Lockwood, Co1.4, lines 14-56).

The motivation for combining the respective teachings of Torma, Lockwood and Yasin are as discussed in the rejection of claims 1, 10 and 18 above, and incorporated herein.

As per claim 24, Lockwood discloses the method wherein the quality indicator includes a measurement of the number of patients with a particular diagnosis not receiving a particular treatment (See Lockwood, Col.7, lines 42-67).

The motivation for combining the respective teachings of Torma, Lockwood and Yasin are as discussed in the rejection of claims 1, 10 and 18 above, and incorporated herein.

As per claim 25, Lockwood discloses the method wherein the quality indicator includes measurement based on survey responses of plan members treated by the group (See Lockwood, Co1.12, lines 35-67).

The motivation for combining the respective teachings of Torma, Lockwood and Yasin are as discussed in the rejection of claims 1, 10 and 18 above, and incorporated herein.

As per claim 26, Lockwood discloses the method wherein a group's budgeted cost per episode of patient care is determined based at least in part on the historic performance of the individual physicians in the group (See Lockwood, Col .12, lines 4-34).

The motivation for combining the respective teachings of Torma, Lockwood and Yasin are as discussed in the rejection of claims 1, 10 and 18 above, and incorporated herein.

As per claim 27, Lockwood discloses the method wherein the weight given to the historic performance of an individual physician in the group depends upon that physician's total number of episodes of care (See Lockwood, Co1.11, lines 1-31).

The motivation for combining the respective teachings of Torma, Lockwood and Yasin are as discussed in the rejection of claims 1, 10 and 18 above, and incorporated herein.

As per claim 28, Lockwood discloses the method wherein the weight given to the historic performance of an individual physician in the group depends upon the physician's number of episodes of care and the physician's medical specialty (See Lockwood Col.6, lines 35-67; Co1.9, lines 33-67).

The motivation for combining the respective teachings of Torma, Lockwood and Yasin are as discussed in the rejection of claims 1, 10 and 18 above, and incorporated

herein.

As per claim 29, Lockwood discloses the method wherein the budgeted cost per episode of patient care and the actual cost per episode of patient care exclude outpatient prescription pharmaceuticals (The Examiner interprets medical facilities to be a form of outpatient prescription pharmaceuticals See Torma, Col.7, lines 43-68).

The motivation for combining the respective teachings of Torma, Lockwood and Yasin are as discussed in the rejection of claims 1, 10 and 18 above, and incorporated herein.

As per claim 30, Lockwood discloses the method wherein the comparison between group's actual cost per episode of patient care during the program period with the group's budgeted cost per episode of patient care for the program period, is adjusted to take into account inflation between the time of the budget and the program period (See Lockwood, Co1.12, lines 35-67).

The motivation for combining the respective teachings of Torma, Lockwood and Yasin are as discussed in the rejection of claims 1, 10 and 18 above, and incorporated herein.

As per claim 31, Lockwood discloses the method wherein the adjustment to take into account inflation is implemented by increasing the group's budgeted cost per episode of patient care (See Lockwood, Col.5, lines 1-22).

The motivation for combining the respective teachings of Torma, Lockwood and Yasin are as discussed in the rejection of claims 1, 10 and 18 above, and incorporated herein.

As per claim 32, Lockwood discloses the method wherein the adjustment to take into account inflation is implemented by decreasing the group's actual cost per episode of patient care (See Lockwood, Col.4, lines 29-56).

The motivation for combining the respective teachings of Torma, Lockwood and Yasin are as discussed in the rejection of claims 1, 10 and 18 above, and incorporated herein.

As per claim 33, Torma discloses the method wherein the adjustment for changes in the severity of illness of the patients treated comprises indexing the relative costs of the episodes of care used in determining budgeted cost per episode of patient care, and the relative costs of the episodes of care used in determining the actual cost per episode of patient care (See Torma, Co1.8, lines 6-68).

As per claim 34, Torma discloses a method managing the cost of health services provided to members of a health plan served by a plurality of physician groups (See Torma, Co1.6, lines 47-61).

Torma does not explicitly disclose that the method having sharing with a group a portion of the cost savings resulting from that group's reduction in the cost episode of

patient care during a period from a predetermined budgeted cost per episode of patient care for that period, the portion being determined at least in part by the group's performance on a quality and/or patient satisfaction indicator.

However, this feature is known in the art, as evidenced by Lockwood. In particular, Lockwood suggests that the method having sharing with a group a portion of the cost savings resulting from that group's reduction in the cost episode of patient care during a period from a predetermined budgeted cost per episode of patient care for that period, the portion being determined at least in part by the group's performance on a quality and/or patient satisfaction indicator (See Lockwood, Co1.12, lines 54- 67 to Co1.14, line 15; Co1.14, lines 1-17).

It would have been obvious to one of ordinary skill in the art at the time of the invention to have included the feature of Lockwood within the system of Torma with the motivation of providing a cost efficiency performance level which is determined for each individual health-care provider within the group of healthcare providers from the plurality of severity-adjusted sickness episode data records, and a qualitative performance level which determined for the group of healthcare providers as a whole (See Lockwood, Co1.5, lines 41-47).

Torma and Lockwood do not explicitly disclose by compensating physician groups for managing the cost and quality of health care services.

However, this feature is known in the art, as evidenced by Yasin. In particular, Yasin suggests by compensating physician groups for managing the cost and quality of health care services (See Yasin, Page 8, Paragraph 2).

It would have been obvious to one of ordinary skill in the art at the time of the invention to have included the feature of Yasin within the collective teachings of Torma and Lockwood with the motivation of encouraging contracting doctors to practice better and use less invasive, less expensive medical procedures by rewarding those who do with cash bonuses at the end of the year (See Yasin, Page 8, Paragraph 2).

As per claim 37, Lockwood discloses the method wherein the weight give to a group's historical performance depends upon the number of years of data for the group (See Lockwood, Co1.10, lines 3-54).

The motivation for combining the respective teachings of Torma, Lockwood and Yasin are as discussed in the rejection of claims 1, 10, 18 and 34 above, and incorporated herein.

As per claim 38, Lockwood discloses the method wherein the weight given to a group's historical performance depends upon the number of years of data for the group and the group's specialty (See Lockwood, Co1.10, lines 3-54).

The motivation for combining the respective teachings of Torma, Lockwood and Yasin are as discussed in the rejection of claims 1, 10, 18 and 34 above, and incorporated herein.

Claims 11-17, 35-36 and 39-45 recite the underlying process steps of the elements of claims 2-7, 9, 19-26 and 28 respectively. As the various elements of claims

2-7, 9, 19-26 and 28 have been shown to be either disclosed by or obvious in view of the collective teachings of Torma, Lockwood and Yasin, it is readily apparent that the method by the applied prior art performs the recited underlying functions. As such, the limitations recited in claims 11-17, 35-36 and 39-45 are rejected for the same reasons given above for method claims 2-7, 9, 19-26 and 28, and incorporated herein.

As per claim 46, Yasin discloses the method further comprising the step of periodically distributing information on the average cost per service episode to the health service provider, for motivating the health service provider to more efficiently manage episodes to keep their cost per service episode below the predetermined budgeted average (See Yasin, Page 8, Paragraphs 6-8).

The motivation for combining the respective teachings of Torma, Lockwood and Yasin are as discussed in the rejection of claims 1, 10, 18 and 34 above, and incorporated herein.

(10) Response to Argument

In the Appeal Brief filed on 07/16/07, Appellant makes the following arguments:

- (i) The Examiner has failed to establish a prima facie case of obviousness and MPEP 2143. The references do not teach all the claimed limitations, and that there is no suggestion within the references to modify the teachings to arrive at the claimed invention.

(ii) Torma does not disclose anything that would suggest or make it "obvious to try" a method of providing an incentive that would result in the fashion claimed by the Appellant in claims 1, 10, 18 and 34.

(iii) Yasin does not disclose sharing a portion of a cost savings, a reward being a portion or percentage of the cost savings realized.

(iv) Yasin does not disclose a budgeted average cost per episode that the physician must keep his actual cost below to qualify for a portion of the cost savings.

(v) Neither Torma nor Lockwood nor suggest the following claimed features: Periodically distributing information on the average cost per episode to the health service provider; sharing a portion of cost savings resulting from a reduction in cost per episode, as an incentive method of reducing actual cost below the average cost per episode distributed to the service provider.

(vi) Neither Torma nor Lockwood teach or suggest a method for motivating health service providers that includes sharing a portion of cost savings in service episodes, which portion is based upon the group's performance on a quality and/or patient satisfaction indicator.

Examiner will address Appellant's arguments and related points in sequence as they appear in the Brief.

With respect to Appellant first and second arguments, the Examiner respectfully submitted that obviousness is determined on the basis of the evidence as a whole and the relative persuasiveness of the arguments. See *In re Oetiker*, 977F.2d 1443, 1445, 24 USPQ2d 1443, 1444 (Fed. Cir.1992); *In re Hedges*, 783F.2d 1038, 1039, 228 USPQ 685,686 (Fed.Cir.1992; *In re Piasecki*, 745F.2d 1468, 1472, 223 USPQ 785, 788 (Fed. Cir.1984); and *In re Rinehart*, 531 F.2d 1048, 1052, 189 USPQ 143, 147 (CCPA 1976). Using this standard, the Examiner respectfully submitted that he has at least presented evidence of corresponding claim elements in the prior art and has expressly articulated the combinations and the motivations for combinations that fairly suggest Appellant's claimed invention. Note, for example, in rejection of claim 1, the Examiner had stated the following:

As per claim 1, Torma discloses the method comprising sharing a portion of the cost savings resulting from the provider's reduction of actual average cost per service episode compared to a predetermined budgeted average cost per service episode (See Torma, Co1.9, lines 6-48).

Torma does not explicitly disclose that the method having a portion depending in part upon the provider's average cost per service episode compared to an average cost per service episode of providers to the members, and in part upon the provider's performance on at least one of a quality measure and a member satisfaction measure.

However, this feature is known in the art, as evidenced by Lockwood. In particular, Lockwood suggests that the method having a portion depending in part upon the provider's average cost per service episode compared to an average cost per service episode of providers to the members, and in part upon the provider's performance on at least one of a quality measure and a member satisfaction measure (See Lockwood, Co1.12, lines 67 to Co1.14, line 15; Co1.14, lines 1-17).

It would have been obvious to one of ordinary skill in the art at the time of the invention to have included the feature of Lockwood within the system of Torma with the motivation of providing a cost efficiency performance level which is determined for each individual health-care provider within the group of healthcare providers from the plurality of severity-adjusted sickness episode data records, and a qualitative performance level which determined for the group of healthcare providers as a whole (See Lockwood, Co1.5, lines 41-47).

Torma and Lockwood do not explicitly disclose a method of compensating a health service provider providing health services in service episodes to health plan members.

However, this feature is known in the art, as evidenced by Yasin. In particular, Yasin suggests a method of compensating a health service provider providing health services in service episodes to health plan members (See Yasin, Page 8, Paragraph 2).

It would have been obvious to one of ordinary skill in the art at the time of the invention to have included the feature of Yasin within the collective teachings of Torma and Lockwood with the motivation of encouraging contracting doctors to practice better

and use less invasive, less expensive medical procedures by rewarding those who do with cash bonuses at the end of the year (See Yasin, Page 8, Paragraph 2).

As such, it is respectfully submitted that an explanation based on logic and sound scientific reasoning of one ordinary skill in the art at the time of the invention that support a holding of obviousness has been adequately provided by the motivations and reasons indicated by the Examiner in the previous Office Actions, and incorporated herein, *Ex parte Levengood*, 28 USPQ2d 1300 (Bd. Pat. App. & Inter., 4/22/93). Further, in regard to the method of an incentive, this limitation, in and of itself, does not explicitly disclose by the teachings of *Torma* and *Lockwood*. With this in mind, it is the clear teaching of the third reference of *Yasin*, Page 9, Paragraph 6). Therefore, Appellant's arguments are not persuasive and the rejection is hereby sustained.

Furthermore, *KSR* forecloses the argument that a specific teaching, suggestion, or motivation is required to support a finding of obviousness. See the recent Board Decision *Ex parte Smith*, --USPQ2d--, slip op. at 20, (Bd. Pat. & Interf. June 25, 2007) (citing *KSR*, 82 USPQ2d at 1396) (available at: <https://www.uspto.gov/web/offices/dcom/bpai/prec/fd 071923.pdf>).

With respect to Appellant's third argument, the Examiner respectfully submitted that He relied upon the clear teaching of *Torma* for such a feature (See Co1.8, lines 6-51). Therefore, Appellant's argument is not persuasive and the rejection is hereby sustained.

With respect to Appellant fourth, fifth and sixth arguments, the Examiner respectfully submitted that He relied upon the clear teaching of Torma for such a feature See Co1.11, lines 26-68 to Co1.12, line 68 specifically line 4-68). Therefore, Appellant's argument is not persuasive and the rejection is hereby sustained.

With respect to Appellant seventh argument, the Examiner respectfully submitted that He relied upon the clear teaching of Torma for such a feature See Co1.7, lines 1-68 to Co1.8, line 68. Therefore, Appellant's argument is not persuasive and the rejection is hereby sustained. Thus, the teachings of Torma, Lockwood and Yasin when considered with the knowledge that is generally available to one of ordinary skill in the art make obvious the limitations that Appellant disputes.

(11) Related Proceeding(s) Appendix

No decision rendered by a court or the Board is identified by the examiner in the Related Appeals and Interferences section of this examiner's answer.

For the above reasons, it is believed that the rejection should be sustained.

This examiner's answer contains a new ground of rejection set forth in section **(9)** above. Accordingly, appellant must within **TWO MONTHS** from the date of this answer exercise one of the following two options to avoid sua sponte **dismissal of the appeal** as to the claims subject to the new ground of rejection:

(1) **Reopen prosecution.** Request that prosecution be reopened before the primary examiner by filing a reply under 37 CFR 1.111 with or without amendment, affidavit or other evidence. Any amendment, affidavit or other evidence must be relevant to the new grounds of rejection. A request that complies with 37 CFR 41.39(b)(1) will be entered and considered. Any request that prosecution be reopened will be treated as a request to withdraw the appeal.

(2) **Maintain appeal.** Request that the appeal be maintained by filing a reply brief as set forth in 37 CFR 41.41. Such a reply brief must address each new ground of rejection as set forth in 37 CFR 41.37(c)(1)(vii) and should be in compliance with the other requirements of 37 CFR 41.37(c). If a reply brief filed pursuant to 37 CFR 41.39(b)(2) is accompanied by any amendment, affidavit or other evidence, it shall be treated as a request that prosecution be reopened before the primary examiner under 37 CFR 41.39(b)(1).

Extensions of time under 37 CFR 1.136(a) are not applicable to the TWO MONTH time period set forth above. See 37 CFR 1.136(b) for extensions of time to reply for patent applications and 37 CFR 1.550(c) for extensions of time to reply for ex parte reexamination proceedings.

Respectfully submitted,

/Vanel Frenel/

Primary Examiner, Art Unit 3687

December 17, 2009

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